

Message Text

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ORIGIN XMB-04

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DRAFTED BY:XMB:T.P. DOUGHTY/AA

APPROVED BY/EB/OCA/CM:JFSIMMONS

XMB:EJO'CONNOR, VICE PRESIDENT-LATIN AMERICA

XMB:WWGLICK, ACTING EXECUTIVE VICE PRESIDENT

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ARA/EP:FBCORRY

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R 312026Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY LIMA

UNCLAS STATE 180991

E.O. 11652: N/A

TAGS: EGEN

SUBJECT: CHIMBOTE STEEL EXPANSION

REF: (A) LIMA 5864

(B) STATE 165856

(C) LIMA 5042

1. EXIMBANK APPRECIATES EMBASSY'S COMMENTS IN REFTEL (A). EXIMBANK BELIEVES IT WOULD BE PREMATURE TO COMMIT TO ASSIST IN FINANCING ANY ELEMENT OF THE EXPANSION OF CHIMBOTE, INCLUDING THE SUPPLY AND INSTALLATION OF A COKE OVER BATTERY, UNTIL SIDERPERU HAS OBTAINED THE OUTSIDE PROFESSIONAL ADVICE AND PRE-CONSTRUCTION PLANNING ASSISTANCE NECESSARY TO DETERMINE THEFORM, CONTENT, COST AND TIMING OF THE EXPANSION PROGRAM AND TO ESTABLISH ITS FEASIBILITY. THE DESIRABILITY OF SIDERPERU'S CONTRACTING FOR EXPERT ENGINEERING ASSISTANCE WAS CLEARLY FORESEEN IN THE VISIT TO PERU OF OFFICERS OF U.S. STEEL ENGINEERS AND CONSULTANTS (UEC) AND E.W. BLISS AND COMPANY AS REPORTED IN REFTEL (C).

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2. IT IS DIFFICULT TO SEPARATE FROM THE TOTAL CHIMBOTE EXPANSION PLAN THE INSTALLATION OF A COKE OVER BATTERY, HAVING AN ESTIMATEC COST OF \$75 MILLION, WHEN THAT PLAN ALSO INCLUDES THE INSTALLATION OF TWO BLAST FURNACES. IT MUST BE ASSUMED THAT THE FEASIBILITY OF INSTALLING THE COKE OVENS WOULD DEPEND IN NO SMALL MEASURE UPON THE FEASIBILITY OF INSTALLING THE BLAST FURNACES.

3. IN THE CIRUCMSTANCES EXIMBANK EXPECTS TO INFORM MITSUBISHI, AS WELL AS ANY OTHER INQUIERES, THAT SERIOUS CONSIDERATION OF REQUESTS FOR FINANCING THE COKE OVENS CAN BE GIVEN BY EXIMBANK ONLY AFTER THE TECHNICAL, ECONOMIC AND FINANCIAL FEASIBILITY OF THE TOTAL CHIMBOTE EXPANSION PLAN HAS BEEN ESTABLISHED BY DISERPERU. INGERSOLL

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